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Compliments of
Hon. Walter Scott.

Cheaper Money

for

Agricultural Development

in

Saskatchewan

Speech Delivered by The Honourable Walter Scott, Premier of Saskatchewan, in the Legislative Assembly

and

a Paper on European Systems of Co-operative Agricultural Credit, read before the Standing Committee on Agriculture and Municipal Law.

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Cheaper Money for Agricultural Development in Saskatchewan

On Friday evening, January 10, the following report from the Standing Committee on Agriculture and Municipal Law was presented by Mr. Sutherland of Saskatoon County and, upon his motion, seconded by Mr. Bole of Regina City, the same was concurred in by the House:

"The Standing Committee on Agriculture and Municipal Law begs to "report as follows: That certain information has been presented to the "Committee on the subject of cheaper money for agricultural development "which it is desirable in the public interest should be printed and generally "distributed under the authority of the Legislature; and your Committee, "therefore recommends, that said information be published forthwith."

A CLEAR MANDATE.

Mr. Walter Scott (Swift Current) said: Mr. Speaker, at this hour of the evening (10.45) and at this stage of the session I should not think of occupying any of the time of the House were it not that the question which is raised by the motion of the Honourable Member for Saskatoon County is of such unusual importance. In view of the fact that the question is so highly important and that it formed the subject of planks in the platforms of both political parties in the general election campaign last summer, it seems to me that even at this hour of the night it would scarcely be proper to allow the motion to pass without the House paying more than a merely perfunctory attention to it. I think the first question which may be asked in respect of this subject of cheaper money for farmers is as to whether or not the Assembly possesses any mandate from the people of the province to deal with the matter. I am constrained to refer to this on account of the position taken by our honourable friends opposite upon the question of the transfer of the public resources. We heard them yesterday asserting the view that the House had no mandate from the people on the public resources question. The truth is that so far as a mandate is concerned the public resources question and this cheap money question are precisely on all fours. Neither question was an issue in last summer's campaign and why? For the simple reason that the parties were united upon both questions. The same applies to direct legislation. On all these subjects both parties were committed to action—the same line of action—and when everybody favours the same policy there is no room for an issue. If we were to accept the reasoning of our honourable friends opposite in relation to the public resources question we should be under the necessity of following the same line of reasoning upon this cheap money

question. No sensible person, however, can for a moment dispute that the House has full and sufficient mandate from the people to justify progress with both questions and so far as that point is concerned I think we may proceed with the motion without any misgivings whatever.

I observe that the term "cheap money" is the name now commonly applied to the subject. I rather think that the term is a misnomer. Under existing conditions today there is no cheap money any more than there is cheapness in relation to any ordinary commodity. I think there is good reason to hope for the application of some practicable policy which will result in cheaper money for the farmers of this province—cheaper money than that available at the present time, but until world's conditions undergo a great change we need not hope to have cheap money.

EXCESSIVE COST OF FARM LOANS.

The policy to which both parties are committed is that inquiry shall be prosecuted with the object of arriving at the best solution of the farmers' dear money problem. That such a problem exists needs no argument. What is the average nominal rate paid by Saskatchewan farmers for their borrowed money? I think it is in the neighbourhood of 8 per cent., but to quote the rate of 8 per cent. does not anything like tell the whole story. I was surprised to see a little while ago the statement made on the authority of the President of the United States that the average cost throughout the whole United States of farmers' loans was not less than 8½ per cent. This rate surprised me because I was aware that in Eastern Canada, in Ontario, for instance, the rate on farmers' loans in the past ten years has been in the neighbourhood of 5 per cent.; the average possibly slightly above 5 per cent., but I know of cases where the rate was under 5 per cent. It would seem probable that the rate throughout the Eastern States would be as low, if not lower, than in Eastern Canada and that throughout the Western States the rate would be as low, if not lower, than in Western Canada; yet President Taft made the assertion in a formal and well-considered letter that the average rate over the whole United States was 8½ per cent. While visiting Washington in October I obtained the explanation from an official in the state department there who had been engaged in a study of this question for many months. His explanation to me was that while the nominal rate was perhaps only 6 per cent. or not much above 6 per cent. on the average over the whole United States, an examination of the proportion of loans upon which renewals are obtained and a calculation of the cost of the commissions, etc., upon such renewals brought the actual cost to the farmers of the country to nearly 2½ per cent. beyond the nominal rate. Now in Saskatchewan if our nominal rate is, say, 8 per cent., then it follows that the actual average cost to our farmers is 10 per cent. or 10½ per cent., because what is true in the United States is true also here, namely, that a large proportion of the loans obtained by farmers have to be renewed and the commission charges, legal charges, etc., in the handling of this business are certainly not less here than in the United States.

THE GOVERNMENT NOT DILATORY.

There is in some quarters a disposition to blame the Government for not having taken action on this question at an earlier date. My honourable friend, the leader of the Opposition, at the beginning of the

session seemed disposed to complain against the Government on this score. Well, if our record in this respect is to be criticised, it will be fair to look also at the record of our Opposition on this question of cheaper money. When did we hear first from the Opposition on the question? It was not until after my present colleague, Mr. Langley, had moved on the subject in the grain growers' association. Let me repeat that statement so that no doubt may remain concerning it: Mr. Langley moved on the floor of the parliament of the grain growers at their 1912 convention. Up to that time no word had been uttered in this Assembly upon the question and it was not until subsequent to Mr. Langley's motion in that convention that my honourable friend's predecessor raised the question here. Now the truth is that the Government had been considering the question more or less seriously for very nearly four years as I think the minister of municipal affairs well knows. We had discussed the question with him on a good many occasions. If the Government did not consider itself in position to take definite action until the session of the House one year ago the fact was not due to any ignorance of the existence of the acute problem nor to any lack of proper interest with regard to the problem. The fact was due rather to the Government's hands being filled with other problems. During quite a lengthy period we were confronted with the elevator question, the solution of which was not found and applied until the session two years ago. Then for quite a time we were also giving serious consideration to the good roads problem and it was not until the session one year ago that the Government felt itself in position to start to carry out any large and well considered scheme for the solution of that problem. It was, therefore, not until one year ago that we felt justified in proposing any line of action with reference to the question of cheaper money for farmers although, as I say, for more than three years past we had been making inquiries into the subject. Back in 1909 Mr. Calder, then provincial treasurer, obtained copies of the New Zealand Statutes with reports, etc., upon the policy in force in that country and I may say further that so far from ignoring the question the Government received at about the same time a definite proposal from a strong financial company with headquarters in London along the lines of the policy which I understand is in operation in both Egypt and Mexico; a policy under which in return for a guarantee of its bonds a company will make contract to re-loan the moneys which are the proceeds of its guaranteed bonds to farmers at a specified rate of interest.

THREE POSSIBLE MODES OF ACTION.

There are three well known and well defined methods for dealing with the problem. In New Zealand and in some of the Australian States a policy has been adopted of the Government borrowing moneys in the regular way by sale of its own debentures and re-loaning such moneys at a small advance in the interest rate. In Egypt, and I believe also in Mexico, a policy has been carried out such as I described a moment ago. The Government guarantees or backs a private corporation in much the same way as this Government has guaranteed railway companies for the purpose of enabling them to obtain in Old Country markets the money they need at a lower rate than would be the case if they sold unguaranteed bonds. The private corporation in return for the guarantee re-loans the money so raised to farmers at a rate specified in the contract. I have been informed

that this policy has borne good fruit in both Mexico and Egypt. There is besides a third method and it is the one mainly dealt with in the paper prepared by the deputy minister of agriculture which was read by him before the standing committee on agriculture and which will be printed and published if the motion now before the House be adopted. This is the method which is so largely in operation in Germany and many other European countries, the method based upon the principle of co-operation, the method commonly known as that of co-operative agricultural credits.

Either the New Zealand or Egyptian plans is comparatively simple and would, I think, be quite practicable for Saskatchewan if the problem of cheaper money was the only problem confronting us. There are certain objections against either one of these systems. For the province to borrow money as does New Zealand would inevitably cause very speedily an enormous increase in the provincial debt. There is also another objection which I think should not be minimised and which applies equally against both the New Zealand and Egyptian plans. This is the objection that too much paternalism in government or too much state management operates to dwarf the initiative, the self-reliance and the spirit of independence which are essential elements in the make-up of any people if the country which they inhabit is to be continuously progressive. Nevertheless, these are not objections which I wish to dwell upon at the moment. The fact is that besides the cheaper money question there are a number of other acute problems. Either of the two plans which I have mentioned would operate to solve the cheaper money question alone. On the other hand I believe there is reason to hope that the co-operative system in operation in Europe may be applied in this province in a way to solve both this and a number of other problems which are confronting our agricultural population in a very acute way.

FOUR ACUTE AGRICULTURAL PROBLEMS.

Inordinately dear money as I say is not our only handicap. Amongst the drawbacks bearing against the Saskatchewan farmer today I may enumerate the following: (1) the excessive cost of loans; (2) the lack of any profitable ready market for the savings of our people; (3) the excessive cost of all supplies; and (4) the depressed prices of farm products. The excessive cost of loans I have already referred to and it is the point which has mainly given rise to the motion we are now considering. In a way the unfairness of the present cost of loans is perhaps the least of the evils which I have enumerated. At all events as compared with say seven years ago farm loans are lower in cost, that is to say, the cost of farm loans has remained stationary since the erection of the province whereas the cost of loans raised by the Government, by municipalities or by school boards has increased materially. At the same time the cost of farm loans is very excessive as I have shown already.

LACK OF HOME MARKET FOR SAVINGS.

Of equal importance I look upon the matter of procuring, if possible, a home market for our people's savings. Statistics are not available, at least I have not been able to obtain any accurate information as to the total amounts on deposit in the various banks within the province. I

have been told that the Weyburn Securities Bank, a comparatively small institution with I think only five branches, has on deposit no less than $1,500,000. If this be true the amount on deposit in all the banks in the province must run into scores of millions of dollars. I understand that in the Dominion Postal Savings Bank there is on deposit between $60,000,000 and $70,000,000. That is of course in the whole of Canada. As to this I speak subject to correction as I have not been able to verify the figures. It is in any case generally known that the Dominion Savings Bank deposits run into the scores of millions. In the United States the savings on deposit, according to latest statistics, amount to the gigantic total of six and one-third billions of dollars. Of the total about four and one-half billions are with mutual and stock savings banks, and the balance with national and state banks and loan and trust companies. These are savings deposits, not ordinary deposits, and the immensity of these United States figures leads one to suspect that in Canada and in Saskatchewan there may be a great deal more 3 per cent. and 3½ per cent. money, the people's savings, in use by our financial institutions as 7 per cent. up to 10 per cent. money than we have any idea of. At all events we know that the money which is on deposit in our banks draws for the depositor only 3 to 3½ per cent. interest. In other words, the Saskatchewan farmer with money to deposit receives only 3 per cent. while the Saskatchewan farmer on his loans is charged, as I have shown, at least 10 to 10½ per cent. on the average. They pay 10 and receive 3. It may readily be asked why anybody will deposit money in the banks when interest so much higher can be obtained if the money be placed on farm mortgage. The answer is that when money is placed on mortgage it must be placed for a period of years whereas the average depositor probably is not in position to tie up his savings for long periods. Beyond this the average farmer lacks acquaintance with the machinery and facilities for placing money on mortgage. But the best answer is found in the fact of the many millions of dollars that are actually on deposit. I was in conversation with a banker a few days ago when this subject was mentioned. He informed me that while his bank had a good many millions of depositors' money, at the same time his bank had out in loans in the province a very much larger sum. This information by no means meets the situation. The bank is a borrower at 3 to 3½ per cent. and at the same time a lender of the same money at an average of probably 8 per cent. or higher.

Now in Prussia the individual who has savings to invest finds an immediate and safe market for his savings in the debentures of the co-operative credit associations which yield 3½ per cent. on the money thus invested—and the investments aggregate actually billions of dollars—which money goes out on farm loans at an interest rate of less than 4 per cent. There is thus only a narrow margin between the original cost of the money and the ultimate cost of it to the farmer. These debentures or bonds are a constant marketable commodity, almost as readily transferable as a ten dollar bank bill, and the value of them fluctuates scarcely more than the value of gold itself. They form a liquid asset and the man with savings may invest in these debentures and if he wants his money he can obtain cash for them as easily as an ordinary bank deposit can be withdrawn. Let me repeat that in Prussia the farmer pays less than 4 per cent. while the man with savings receives for these 3½ per cent. or better. Suppose, for instance, that by some similar organisation we could

produce in this province a system under which investments would yield to the individual with savings 5 per cent. upon these savings and which would at the same time secure a rate of 6 per cent. on farm loans, what an enormous advantage such a result would be to the province as a whole as against the present condition of only 3 per cent. on savings and 10 to 10½ per cent. on farm loans.

Mr. Speaker, to no one who is at all intimately acquainted with the conditions in this province can the fact be disguised that a very large movement has been taking place during recent years, and it is going on at the present time, of farmers away from the farms and in an unfortunately large number of cases away from the province altogether. I have been living here and have been acquainted with Regina district during more than a quarter of a century. In this district between the Canadian Pacific Railway main line and the Qu'Appelle Valley there settled in the early 80's as fine a type of farmers as any country ever possessed. A remarkably large proportion of these farmers made comparative wealth and the remarkably small proportion of them who are today to be found on the farms in this district is the sad feature of the situation. Those who were the prominent men of the district when I was candidate for the Dominion House twelve years ago and who were still there in the campaign of 1904 and again in our first provincial election campaign in 1905 when I was a candidate in North Regina have with very few exceptions left the district. They have gone simply by the dozen and most of them have taken away wealth ranging from $10,000 to $50,000 and in some cases a good deal more. I would not say it is true of all of them but I verily believe that the lack of ready facilities here for the investment of savings has been an important factor amongst the several other factors going to make up the cause of the departure of a good many of them. My honourable friend who sits for Lumsden can I am sure substantiate what I say and the movement which I have described has been by no means confined to Regina district. It has prevailed in a considerable degree in many districts in the province. I am convinced that if these splendid citizens, most of whom have gone from the province altogether, had had right here available to them a safe and reasonably profitable market for their savings, such market would have operated as a factor to keep them in the province and on the farms and I repeat that the problem of finding such a home market for savings is scarcely second in importance to the problem of obtaining farm loans at reasonable cost.

THE WAYS OF THE MIDDLEMEN.

I am sure I need scarcely argue, Mr. Speaker, that we are obliged to pay an excessive cost for our supplies and at the same time are under the additional handicap of unduly depressed prices for the main products of the farm and ranch. For the sake of brevity I shall quote a single paragraph from a pamphlet recently published by Mr. J. H. Haslam, of Regina, in which I find this statement:

"The farmers of Saskatchewan have received at their local elevators a "price on an average during the past ten years of from ten to fifteen cents, "and last year twenty-five cents, less for their wheat than their North "Dakota neighbours, and even a greater difference for their other produce;

"and on the other hand have paid about twenty per cent. more on an aver-
"age for their implements, and they are dissatisfied with this state of
"affairs."

This statement of fact—and I do not think it can be disputed that what Mr. Haslam states is a fact—certainly demands the most careful consideration of everyone responsible in any degree for the conduct of our public affairs. The statement simply means that Saskatchewan farmers are under an enormous handicap as compared with their North Dakota neighbours against whom we have to compete in the disposition of our wheat and our beef in the British market. Then it must not be forgotten that as against the European farmer even the North Dakota farmer is labouring under a heavy handicap. The middleman is as prominent in North Dakota as in Saskatchewan and the North Dakota farmer suffers from excessive cost of his supplies and depressed prices for his produce only in a lesser degree than does the Saskatchewan farmer. As against the German farmer, for instance, who by co-operative organisations has almost entirely eliminated the middleman and who is thus able himself to sell his produce directly to the consumer, the Saskatchewan farmer is handicapped to an extent entirely unbelievable until a careful analysis is made.

THE MARKETING PROBLEM.

I think it may be admitted that in methods of production our farmers are reasonably well advanced. I would not go so far as to say that in this respect nothing is left to be desired because I am convinced that in comparison with the British and European farmers, the farmers both in Canada and the United States have a great deal to learn. One only needs to observe the fact that larger yields of grain are reaped in Great Britain and most of the countries in Europe from land which has been under cultivation during centuries past than are reaped from farms in the United States or even from the virgin land in Western Canada. Even in Egypt where the land has been regularly cropped for thousands of years past it is not exhausted as is the case with a good deal of the land in New England States. Even in the Dakotas where there was no settlement half a century ago and where all the land is thus comparatively new the average wheat yield has already reached almost the vanishing point. Nevertheless in a general way as a result of the work of excellent agricultural colleges, experimental farms and other means of spreading knowledge of up-to-date methods our farmers are fairly well advanced as regards the methods of production and the deficiencies existing are rapidly being remedied. As to methods of marketing, however, there is a very different story to tell. I feel under the necessity of compressing my remarks and it will save time if I give to the House the results of a recent examination made by an American expert into this question. Mr. B. F. Yoakum, in an article in "World's Work," calculates that the farmers of the United States obtained in 1911 only six billions of dollars for products that cost the ultimate consumer thirteen billions of dollars. New York's total bill for one year, according to Mr. Yoakum, for eggs, coffee, rice, cabbages, onions, milk, potatoes, meat and poultry was four hundred and sixty-four millions one hundred and forty-seven thousand dollars. Out of that the farmer received only two hundred and seventy-four million two hundred and eighty-nine thousand dollars, or 59 per cent.; of the balance the rail-

roads received 5½ per cent., amounting to twenty-five million forty-five thousand dollars; and the cost of selling and profits on the products was one hundred and sixty-four million eight hundred and thirteen thousand dollars, or 35½ per cent. He submitted the following table in respect of items of daily food, showing what the farmer received for them and what the consumer finally paid for them:

	Farmer Received	People Paid
Eggs	$17,238,000	$28,730,000
Cabbages	1,825,000	9,125,000
Milk	22,912,000	48,880,000
Potatoes	8,437,000	60,000,000

By another table Mr. Yoakum shows the distribution of cost of the thirteen billions of dollars which United States consumers of farm produce paid in 1911:

	Amount	P.C.
Received by the producers, the farmers	$6,000,000,000	46.1
Received by the railroads	495,000,000	3.8
Legitimate expense of selling	1,200,000,000	9.2
Waste in selling	1,560,000,000	12.0
Dealers' and retailers' profits	3,745,000,000	28.9
Total paid by the public	$13,000,000,000	100.0

These figures clearly indicate that were it possible for the farmer to directly place his produce in the hands of the consumer, he might receive a much better price for the produce. At the same time the consumer might get his supplies at a much lower price than he is now obliged to pay. The unfair condition which bears against both the producer and the consumer is a condition which has been remedied in Germany. The German farmer has found a solution for this problem by the application of the same principle as that by which he has solved the money problem, the principle of co-operation.

HOW TO DESTROY THESE HANDICAPS.

Mr. Speaker, these four questions or problems which I have briefly referred to most urgently call for solution. Saskatchewan is more dependent upon agricultural success than is any other country I know of. I would not except even Denmark, because Denmark possesses a vastly greater extent of sea-coast proportionately than does Canada as a whole. In Saskatchewan farming must form the foundation of all activities. If we have successful agriculture we may build up many other lines of profitable business, but without successful agriculture we can do simply nothing. I have become convinced that Saskatchewan, notwithstanding the richness of our native farming resources, can never enjoy the success which she deserves until these enormous handicaps are removed or de-

stroyed. The New Zealand scheme for cheaper money could not affect any of these problems excepting only that concerning the cost of farm loans. The same objection applies as against the scheme which is being operated in Mexico and Egypt. On the other hand there is reasonable ground for hope that the German co-operative system can be utilised in Saskatchewan as a solution of all these problems and it is because of this hope that the Government deems it wiser not to decide in favour of any of these three well-defined modes of procedure until a full inquiry may be made into the European system of co-operative agricultural credits. In Germany co-operation has solved the question of dear money and has equally provided a ready and safe home market for the savings of the people. At the same time the system is being utilised to obtain the German farmer's supplies at the lowest possible cost and to obtain for his produce the actual prices paid by the ultimate consumer because through the co-operative selling associations his produce is placed directly in the hands of the consumer. The consumer in Germany pays a very high price but there is this satisfaction that the whole of the price goes to the producer. The producer and the consumer alike are not milked by middlemen as is largely the case throughout North America and is undoubtedly the case in an acute degree at the present time in Saskatchewan. If there exists a trust in Germany controlling the various items which furnish the table, it is a trust composed of the actual producers. If it is necessary to have a trust surely it is much fairer that the benefits shall be reaped by the farmers of the country who are the foundation of all progress than by groups of middlemen who neither sow nor reap but who in the United States, and to a growing degree in Canada as well, are fattening upon the results of other people's work.

THE GERMAN SCHEME.

The House already knows that when in Germany last autumn I spent some little time in making inquiries into agricultural finance as it is dealt with in that country. The system in operation there has been analysed by Mr. Mantle in the paper now before the House very concisely and very well. I shall not at this hour attempt any exposition of the system inasmuch as Mr. Mantle's paper does it very much better than I could do it. In a word I may say that the German farmers by pooling their credit obtain their loans at the lowest possible cost. It is a fact that cheaper money is not obtained by any authority excepting Governments than is obtained by the farmers in Prussia through their co-operative banks and mortgage societies. The principle is simple enough. We know it even here. If I go to a bank alone I shall fail in obtaining money but if my honourable friend, the leader of the Opposition, goes to the bank with me and indorses my paper the money will be handed out to me. This is merely a minor case of the pooling of credit. It naturally follows that the combined credit of, say, fifty farmers each of whom owns his land is a vastly better security than the credit of a single farmer. The funds disposed of by the German co-operative societies are raised by the sale of debentures. Their credit being absolutely sound these debentures command the highest market price and thus is created the home market for savings. The business of the societies being co-operative the expense of conducting the business is held down to the minimum and thus the borrowers of money obtain it at a very slight advance over the price

received by those who lend the money, the lenders being the purchasers of the debentures.

I had the advantage of exceedingly interesting and instructive interviews with the head of the Prussian department of agriculture who impressed upon me that probably the greatest advantage of their system was the permanency of the loans that are advanced upon mortgage. While the borrower has the liberty to pay off the debt at any time the loan is practically permanent at the borrower's option.

THE UNITED STATES INQUIRY.

The House is already aware that the people of Saskatchewan are not alone in their interest as regards this important matter of the price of farmers' money. The subject of agricultural finance has been made the subject of inquiry already by both Great Britain and the United States. The inquiry at the instance of the British Government has been under way during more than two years past and I am at the present moment looking with interest for the British commission's report which I have been informed was placed in the hands of the printer some weeks ago. Most of the members have doubtless either seen a letter or reference to a letter issued by President Taft in October last on the same subject, the letter being based upon a preliminary report submitted to him by the American ambassador in Paris—a report based upon the result of the work of a committee of some eight or ten gentlemen who were in Paris with Ambassador Herrick during the most of the past summer. In addition to this inquiry as is explained in Mr. Mantle's paper, the United States inquiry is to be proceeded with in the coming summer by means of a large committee upon which there are to be two members from every state in the Union and which goes to Europe next May to make a three months' examination of agricultural co-operative systems in some six or eight of the European countries including Ireland. The organisation of this committee has resulted from a conference held in Nashville, Tenn., last spring called by a body known as the Southern Commercial Congress whose activities cover some sixteen southern states and whose functions are similar in considerable degree to the functions of the grain growers' association in this province. There was present at the Nashville conference a gentleman whose name is known to every student of advanced agriculture, Mr. David Lubin, of California, who is now the American delegate in the International Institute of Agriculture at Rome. In fact Mr. Lubin was perhaps more than any other English speaking person instrumental in the organisation of the institute. During three or four years past the International Institute has been pursuing inquiries into the subject of agricultural finance and Mr. Lubin came to Nashville upon a special invitation, the conference being called mainly for the consideration of that subject. In Berlin I received advice to communicate with Mr. Lubin at Rome which I did with the result that upon arrival home in November I found awaiting me a reply from him in the course of which he suggested that the Saskatchewan Government should attempt to obtain permission for Saskatchewan delegates to join the United States committee. I then communicated with Senator Fletcher at Washington, president of the Southern Commercial Congress, as Mr. Lubin suggested, and we have as a result not only received permission but have received a

warm and hearty invitation to send one or two delegates to join the committee which is to begin its work at Rome about 1st May. The Government has decided that the opportunity thus offered should not be neglected and it is the intention to arrange for the sending of at least one and probably two delegates to go with the committee.

CO-OPERATION A SPLENDID PRINCIPLE.

Mr. Speaker, I do not wish to convey the impression that the Government is committed to the idea of the European systems as against the New Zealand and Egyptian systems. Personally I have an open mind but must confess that the principle of co-operation which is the mainspring of the European systems appeals to me as being very attractive and as offering the hope of splendid results if applied in larger degree amongst the farmers of Saskatchewan. The principle is by no means new here. It is the principle which we adopted as the solution of the elevator problem, which same principle is in operation in the conduct of Government creameries and is largely the principle which is making such a pronounced success of our rural telephone system. It has also been signally approved by the farmers of the province in relation to hail insurance. It will not be new to at least the older members of the House here to hear me express myself strongly in favour of the principle. Speaking here two years ago towards the conclusion of the debate upon the co-operative elevator legislation I made use of the following words:

"Already I see reason to hope that the principle embodied in this "scheme will solve not alone the elevator grievances but that this co-"operative principle will be given such a manifestation of usefulness in this "sphere that as a result many other difficulties and injustices will find their "solution in an extension of the application of the same principle."

The pronounced success which has so far followed the operations of The Co-operative Elevator Company quite justifies the words which I used on that occasion and strengthens my hope that for the problems which I have mentioned tonight a solution may be found by the further application of the co-operative principle.

CHARACTER BUILDING.

I mentioned a little while ago the importance of the encouragement of initiative, of self-reliance and a spirit of independence amongst our people. State management of business which the people are capable themselves of managing does not encourage these attributes but tends rather to diminish them. Co-operation on the other hand has the effect of strengthening initiative, cultivating self-reliance and promoting the spirit of independence. I verily believe that if the co-operative systems which are in operation in Germany and in Ireland and in other European countries could be transplanted in Saskatchewan and if the schemes of co-operation already in force here with regard to elevators, creameries, telephones, and so forth could be amplified and made the solution here as in Europe of these burdensome and outrageous handicaps, the greatest benefit to our people would not be found in the removal of these handicaps themselves, enormous as such benefit would be, but would rather be found in the effect which would be produced upon the character of our people.

In the past and at the present time there has been and there is too much individualism, too much of the spirit of each man looking after his own affairs and being careless of the affairs or prosperity of his neighbour. No community can be truly successful and progressive in which the various members are willing to let the other members go to the wall. We have seen in recent times the beneficial effect of the opposite spirit in some of our young cities. In the early days in the province, in the times of stagnation, particularly in the late 80's and early 90's I can well remember how little of the spirit of co-operation prevailed in our towns. Each man was playing his own hand and each man's hand was in a sense against his neighbour's hand. There was no progress, no advancement. Things went from bad to worse. In recent times no one can have failed to notice a very different spirit. I have been told of instances in some of our young cities where when a merchant or firm got into financial difficulties his competitors joined together to save him from going to the wall. It was recognised that a failure would be a damage to the city as a whole and to save the general credit every man was willing to lend his own credit. If the same spirit were to prevail throughout all our farming communities not only would general conditions be vastly improved but there would be also a consequent elevation of the standard of character of the people throughout the province. I might, I think, very well instance what occurred here in Regina in the weeks following last summer's cyclone. Had there been no co-operation following the enormous losses occasioned at that time, does anyone imagine for a minute that the city would be in its present position? No, without co-operation years would have been required to repair the damage and many of the sufferers would have been handicapped permanently in a financial sense. With co-operation the apparent damage has already been almost obliterated and while no doubt many of the sufferers will not fully recover their financial footing for a long time to come at the same time there has been no person allowed to go under. Every one who needed assistance has been assisted to a position in which he is able to carry on for himself instead of being a burden upon the community. I am not sure that I am making myself fully intelligible—I am not sure that I am able to convey the point which I have in mind. Again for the sake of clearness, no less than for the sake of brevity, let me quote a couple of sentences from a very interesting pamphlet which I have recently read from the pen of Mr. G. W. Russell whose authority will be at once recognised with respect to the subject of co-operation as it is being exemplified in Ireland. Writing on affairs in Ireland, Mr. Russell says:

"With the union of men to help each other came the promise and potency of a progress inconceivable before, that with more economic business methods, with cheapening in purchase, combination in sale, with science in the farm and dairy, with expensive machinery co-operatively owned, and with the complete control of their own industry—farmers would create and retain a commercial wealth which could purchase for them the comforts and some of the luxuries of civilisation."

According to Mr. Russell co-operation has done more for the betterment of conditions amongst the peasantry of Ireland than all the efforts of the politicians. It has not only revolutionised the material conditions and removed the scourge of abject poverty but has worked a vital change in the habits of thought and the character of the people. It has produced

social order where none existed before. Mr. Russell defines a community with social order as a community in which are developed kindly social and neighbourly instincts—the community with no social order being the one in which every man is looking after himself alone.

IN UNION IS STRENGTH.

Co-operation in mutual liability engenders mutual trust. Wherever there is constant give and take—wherever the prosperity of the individual depends directly and obviously upon the prosperity of the community about him—there the social order tends to produce a fine type of character with a devotion to public ideals and public duties. Co-operation means organisation for mutual self-help—means communities where the splendid principle prevails that each is for all and all for each—means the building up of a rural population upon a basis of permanency—means the destroying of the causes which make for disintegration. Co-operation means the application of the old principle that union is strength. The shrewd military general aims to divide the enemy and so to conquer. The predatory interests successfully pursue this plan. They are able to conquer because their victims are divided. The plain lesson is that the farmers of Saskatchewan who have to count themselves at present amongst the victims should no longer remain divided but should band themselves together by the principle of co-operation and so be able to successfully defend themselves against the common enemy.

I have said, Mr. Speaker, that the Government wishes to be understood as retaining an open mind on the question of the method which ought to be followed in the solution of this cheap money problem. We do not wish to be considered as committed at present to any of the schemes which I have mentioned. By voting for Mr. Sutherland's motion all that the House will be doing will be to provide for the publication and distribution of the information contained in Mr. Mantle's paper and giving approval to the proposal that we should carry on further inquiry into the subject by acceptance of the invitation received from Washington to send one or two delegates with the United States committee. It has been asked and will no doubt again be asked whether necessity exists for any further inquiry or at all events for the sending to Europe for further information. I may state that one of the reasons why any paper was prepared such as Mr. Mantle has prepared and why such paper should be circulated throughout the province is that the farmers of the province in our opinion are not as yet well enough versed in the question to make it advisable to inaugurate any particular scheme. I am convinced that a campaign of education is very desirable. Even if we needed no further information, even if in our own minds we were entirely satisfied as to the lines for the determination of the best possible scheme, I should still very much doubt the advisability of inaugurating any scheme at the present moment. The co-operative elevator plan would not have proved the success that it is if its inauguration had not been preceded by a considerable period of lively agitation of the question throughout the province. The circulating of this paper, the discussion which we are now having in the House, the sending of delegates to Europe—all these steps will tend to create a public interest in the question. Our farmers of course well know the existence of the problem—they know it bitterly—at the same time I question whether they have given the study

which ought to be given to possible methods of solving the problem. As will be found in the pages of this paper the United States delegation is not going to Europe so particularly to obtain information. The facts as to the European systems are fairly well known already. Two men are to be sent from each state rather for the purpose of ensuring that in each state there shall be at least two men thoroughly saturated with first-hand information about the actual operation of the system in the several European countries so that they may act as educators in respect of the question in their respective states upon their return. It is largely with the same idea that we propose the acceptance of the Washington invitation.

INQUIRY WILL REALLY SAVE TIME.

I am fully convinced that no time will be lost but that on the contrary time will be gained and the welfare of our farmers far better served by thoroughly investigating this whole question before deciding upon any attempted remedy rather than by yielding to impatience and starting to apply a scheme without being amply convinced that the scheme selected is the one which is going to yield the best results. This Government has been during its seven years in office a careful observer of the maxim that "raw haste is half-sister to delay." We were chided from the Opposition benches for too slow action in the matter of our rural municipal law, in the matter of telephones and upon the elevator problem as well. Not a single person today would think of suggesting that there was unwise delay by the Government upon any of these questions. We took time to make reasonably sure of the ground before deciding our policy in all these matters, and the outcome has justified the care and time so taken. We have not had to retrace the steps, and we need only note our position now in respect of both telephones and elevators in comparison with the position of the Manitoba people to appreciate how unwise it is for Governments to deal hastily with far-reaching problems. There are contingencies in which instantaneous decision is essential and when opportunity must be grasped at once or lost forever, yet in the economic development of a country one year or two years is so to speak merely an atom of time. Even the most hard-pressed and impatient farmer admits now that any legislation upon the elevator question in 1910—and I recall that we were roundly condemned for failure to legislate in 1910 and held up in unfavourable contrast with Manitoba—when we certainly lacked that adequate comprehension of the situation, the possession of which a year later as a result of the unusually able work of Dr. Magill and his colleagues, enabled the Assembly to legislate wisely and along lines which experience in the meantime shows to have been proper and permanent, would have been in the last degree foolish and unfortunate—foolish for the Legislature and both unfortunate and costly for the wheat-grower whose welfare was involved. This is not idle speculation—it is a proved proposition—proved by Manitoba's experience, because there my friend Roblin succumbed to the same impatience; he did in 1910 what we abstained from doing, and everybody interested learned by costly experience later that a notorious blunder had been committed. For us at the present stage to attempt legislation on the far-reaching problem of agricultural finance would be equally unwise as attempted legislation in regard to elevators would have been for Saskatchewan in 1910. Of this I am completely convinced. In a superficial way we know what is being done in other countries, in Australia,

New Zealand and Egypt, and I think I have obtained a fairly accurate understanding of the systems of mortgage societies and credit banks operating in Europe because I believe these systems have their best exemplification in Prussia where I was fortunate enough to get my information about them. Parenthetically I should perhaps state that my visit to Prussia was made not officially but privately and my expenses were not borne by the province. But it needs to be remembered that conditions in Europe with populations running from 50 to 350 or 400 persons upon each square mile of land and with farms tilled by father, son and grandson, generation after generation, are vastly different from Saskatchewan conditions. Eighty per cent. of all the billions of money loaned on farm security in Germany by way of mortgage loans and short-term loans on personal credit is supplied by the members of the co-operative associations themselves, that is to say, by the land owners and farmers themselves. No such percentage could be hoped for under the same systems here for a long time to come. I cannot pretend to know, nor do I think that any other person is as yet in position to know, just how and to what extent the European systems can be applied to meet our entirely different conditions. In behalf of the Government I simply want to assure the farmers of the province that now the way is clear and our hands are freed sufficiently to permit us to take hold of the problem, there will be absolutely no waste of time.

Mr. Speaker, in conclusion I shall merely say that for the reasons which I have stated I give my support very readily and heartily to the motion which our honourable friends from Saskatoon county and Regina city have presented and before sitting down I wish in a brief word to compliment the member who made the motion upon the forceful and convincing manner in which he presented it.

On Saturday, January 11, Mr. McNeill (Hanley) presented the following Report, which was adopted by the House:

"The standing Committee on Public Accounts and Printing recommends that 20,000 copies of the information presented to the House on the subject of Cheaper Money for Agricultural Development, together with the speech delivered on the said subject by the Premier, be printed and distributed."

CHEAPER MONEY FOR AGRICULTURAL DEVELOPMENT.

A Paper, containing Extracts from some publications on European systems of co-operative agricultural credit and a memorandum dealing with the inquiries into the subject made by Honourable Walter Scott, Premier of Saskatchewan, while in Germany in the autumn of 1912, submitted as evidence before the Standing Committee of the Saskatchewan Legislature on Agriculture and Municipal Law, by A. F. Mantle, Deputy Minister of Agriculture for Saskatchewan, in January, 1913.

The subject of Cheaper Money for Agriculture is of more interest to the farmers of Saskatchewan today than any other question attracting public attention and probably interests them more than any similar subject has ever done. A study of what cheap money has made possible in European agriculture will prove to any one that no subject more vital to the material prosperity of this province could engage the attention, not only of the farmers and of the government, but of all other classes of the community as well. A study, too, of the condition of our basic industry, grain raising, at the present time reveals to thoughtful men that there is no greater need in our province today than better agricultural credit.

What is the matter with Agricultural Credit in Saskatchewan?

1.—It Is Too Dear.

The prevailing rate of interest on loans made by mortgage institutions on the best security there is, namely farm lands, is 8 per cent. Other charges incidental to the loan increase the cost of this kind of credit. The German farmer borrows on similar security, to the extent of two-thirds its value, at from 4½ to 3½ per cent., and the French farmer, through his Credit Foncier, at 4.3 per cent. Various causes might justify a certain disparity between interest rates on farm loans in Continental Europe and in Western Canada, but so great a disparity as that cited cannot be regarded as inevitable or unavoidable.

But the agricultural credit obtained on the security of a first mortgage on his land is the cheapest credit the Saskatchewan farmer obtains (outside of the interest on the purchase price of his land if bought from the larger holders). The credit he obtains through his storekeeper, his implement dealer and his neighbour is far more costly to him because he is paying "credit" prices for everything he buys and, except in the case of the storekeeper, 8, 10 or 12 per cent. interest on the "credit" price as well. On the cheap money the German farmer borrows for his current expenses—to purchase his supplies, implements, etc.—he pays only 4½ or 4 per cent. and is thus placed in a position to buy at rock bottom cash prices. These high interest rates and other heavy charges for agricultural credit make a tremendous drain on the resources of the farmer and make agriculture less profitable than it should be.

2.—It Is Provided Through Too Many Different Sources.

The business of the storekeeper is to sell merchandise—not credit. The business of the implement dealer is to sell farm machinery—not credit. When these and other agencies are called upon, or undertake, to sell what it is not their business to sell, they naturally cannot procure and sell it very cheaply. The business of the mortgage corporations, trust companies and banks, it is true, is to sell credit, but at a substantial profit to themselves. What Saskatchewan agriculture needs is credit at *cost* or very near it. The business of *co-operative agricultural* banks and mortgage institutions is to sell agricultural credit at or near cost.

3.—It Is Indiscriminate.

When every merchant or dealer in a community is called upon to sell credit as well as goods, or finds it profitable to do so, there is a natural tendency to sell credit indiscriminately—to overload men with credit obligations, if they are unwise or inexperienced enough to assume them, in order to sell them merchandise or implements.

4.—It Is Ill Regulated or Unregulated.

What is everyone's business is no one's business. When every merchant or dealer in a community, as well as banks and loan companies, is supplying agricultural credit, it naturally follows that no one agency knows just what total of credit obligations a given farmer has assumed, or what relation that total bears to the earning power of his farm. Were the providing of agricultural credit placed in the hands of one or two institutions, created especially for that purpose, in each locality, indiscriminate and unregulated credit—which must mean expensive credit—would not be obtainable.

5.—It Is Too Static.

Money obtained by mortgage is static money; that obtained from a bank by open account is dynamic money. *Every dollar* that is borrowed in either way should be put to *productive uses* that it may earn the interest that is being paid for its use, and a profit for the borrower besides. Farmers, like business men, should borrow only as much static money (money on mortgage) as they can immediately put into uses that will be productive for a long time—during the life of the mortgage in fact—and, like business men, they should depend on the dynamic dollar borrowed as needed and for only as long as needed, and on personal rather than real security, for the ordinary needs of their calling. A barn may be built or a permanent fence built, or live stock purchased with the proceeds of a mortgage (static money), because these will be in productive use as permanent equipment of the farm during the full life of the mortgage; but machinery should not be bought nor store bills paid nor holiday trips taken with the proceeds of a mortgage, for all of these things either are not productive at all—will not earn any interest—or will not remain productive throughout the life of a mortgage. Machinery and implements should be paid for with dynamic dollars borrowed from a bank exactly when needed, to exactly the extent needed and for only the time actually

needed to earn the money to repay them. If this could be done none of the dollars borrowed for this purpose would lie idle or remain borrowed to have interest paid on them when no longer in productive use as is apt to be the case when money obtained by mortgage, that is to say, money borrowed to a fixed amount for a fixed time is used for such purposes.

The trouble is that at the present time there are insufficient facilities for providing the farmer, even at 8 per cent. interest, with the dynamic dollar he needs and s ould have, and which his cousin in business in the city can obtain for perhaps 6 per cent. interest. Thus he is forced to pay even more heavily to the retailer and dealer for the use of their dynamic dollar in the form of "time" or else to resort to the too plentiful and almost equally expensive static dollar of the mortgage or t ust corporation. What the Saskatchewan farmer needs, therefore, is the cheap "dynamic" money and not merely or only cheap "static" money obtained on mortgage. He requires cheap "static" money for his permanently productive improvements and for the extension of his operations, and for these purposes alone. He requires cheap "dynamic" money for the varied needs of productive development of the kind that quickly earns and repays its cost.

TROUBLE NOT CONFINED TO SASKATCHEWAN.

It need hardly be stated, but perhaps, lest there be any misunderstanding it had better be, that the condition of rural finance described in the foregoing is not confined to Saskatchewan, but exists to a greater or less degree in all of the provinces of Canada and throughout the states of the Union. While in some of its phases the condition may be worse in Saskatchewan than in the eastern part of the continent, in others it is undoubtedly better. The loans of money at 3 per cent. interest to co-operatively owned creameries and the financing of their operations (when government-operated) by the provincial government constitute material provision of cheap "static" and "dynamic" money respectively for agricultural purposes and thus are a contribution to improved agricultural finance. Every patron of such creameries benefits in proportion to his contribution of cream in the benefits of this cheap money.

The loaning at 5 per cent. of upwards of $1,000,000 to the Saskatchewan Co-operative Elevator Company forms a still more striking example of the provision through government assistance of cheap "static" money for agricultural uses. Every shareholder and patron of that company cannot but be benefited financially by the transaction. Other governmental policies that have a direct bearing on the question of rural finance or the cost to the farmer of the credit which is essential to the proper development of his business are the bonusing of rural telephone companies, the importation of live stock at cost, and the building of millions of dollars' worth of country roads with 4 per cent. or 5 per cent. static money secured on the credit of the province instead of 6 per cent. money secured on the credit of the several municipalities.

The point, however, is that, were the farmers banded together in suitable organisations for the purpose, they could obtain all of this money, and many scores of millions more than any provincial government could ever borrow in their behalf, upon the security of their own farms in the case of static money, or their joint personal worth and their farming operations in the case of dynamic money. The people of any country are worth more than, and can offer as good security as, their government.

As to the need throughout the United States for improved agricultural credit, and the ability of the farmers themselves to provide it when suitably organised, the words of the president of the United States in a recent letter on this question to the governors of states are authoritative:

"The need for the establishment of an adequate financial system as an aid to the farmers of this country is now quite generally recognised. The interest rate paid by the American farmer is considerably higher than that paid by our industrial corporations, railroads or municipalities. Yet, I think, it will be admitted that the security offered by the farmer in his farm lands is quite as sound as that offered by industrial corporations. Why, then, will not the investor furnish the farmer with money at as advantageous rates as he is willing to supply it to the industrial corporations? Obviously, the advantage enjoyed by the industrial corporation lies in the financial machinery at its command, which permits it to place its offer before the investor in a more attractive and more readily negotiable form. The farmer lacks this machinery, and, lacking it, he suffers unreasonably."

After commenting upon what has been done in Europe towards solving this problem and upon the benefits that would result from its solution in the United States, he says:

"All this can be done, and I am convinced that in this country it must be done, by the efforts of the farmer himself. It is natural that some of the European governments should have extended a paternal protection over the systems of agricultural finance and to have given them financial as well as legal assistance. This, however, must be guarded against in this country. We must establish a credit system of, for, and by the farmers of the United States. It were better, otherwise, not to consider the matter at all. It is an interesting commentary on the value of paternalistic governmental support to note that this plan of agricultural co-operative credit has thrived best—in fact, has enjoyed a substantial development only—in those countries where the movement has grown up from the farmers and where the government has to the greatest degree refrained from attempts artificially to nurture the plan by subsidy and has restrained its interference to the proper field of imposing restrictional legislation for the purpose of preventing speculation."

OLDER NATIONS HAVE ENCOUNTERED AND SOLVED THE SAME PROBLEM.

The farmers of the North American continent are accustomed to solving their agricultural problems in their own way and in setting the pace for those of other nations. This is because their attention has been chiefly directed to *increasing their production* through improved methods of cultivation, etc. When they turn their attention as they are now doing to *reducing the cost* to the farmer *of producing* his crops, they find that at the root of this part of the matter lies the problem of better agricultural credit. At the beginning of a publication of the International Institute of Agriculture entitled "An Outline of the European Co-operative Credit Systems," appears the followng account of the causes that brought Europe into the forefront in this connection:

"Since the early part of the nineteenth century European farmers have been struggling against adverse economic conditions. Chief amongst the difficulties against which they have had to contend has been the competition of new countries of immense territory and virgin soil, which, owing to the improvement in the means of transport, have been able to flood the markets of Europe with agricultural produce. Even in the most perishable products the competition has been severe, for the development of cold storage has enabled them to be brought to Europe from the most distant parts of the world.

"To make headway against this competition an economic transformation has been necessary, comparable to the transformation which has taken place in industry. The European farmers have, accordingly, reorganised not only their technical but their business methods.

"The new business methods which have spread all over Europe and have been adopted even by the new countries (the United States and the British Colonies) as well as by Asiatic countries, such as India and Japan, consist, in the main, in the application of co-operation and mutuality—combined efforts and the acceptance of mutual obligations—to the various branches of the business of agriculture, of which the following are the most important:

"(1) The provision of capital;
"(2) The purchase of agricultural requirements;
"(3) The preparation and sale of agricultural produce;
"(4) Farm insurance."

The same excellent publication describes the principles of co-operative credit as successfully worked out in Europe as follows:

"The main principle underlying all forms of co-operative credit is that if a group of persons combine to furnish a collective guarantee they can, on the security of that guarantee, obtain money at lower rates of interest than they could obtain it individually.

"The collective guarantee may be that of real property. A number of landowners may obtain capital on the security of a collective mortgage of their lands. This is the basis of German Landschaften, one of the oldest forms of co-operative credit institutions.

"Or, again, the collective guarantee may be a personal one. A number of persons may obtain capital by making themselves jointly responsible for its repayment. Such liability may be unlimited or limited.

"Unlimited liability is a fundamental part of the Raiffeisen system, but in the Schulze-Delitzsch system the liability of the members of the group is usually limited. Where the members are land owners, the collective personal guarantee becomes indirectly a property guarantee.

"Upon such guarantees capital may be obtained in a variety of ways. In Germany the Landschaften issue bonds, but the Raiffeisen banks derive their working capital mainly from the deposits they are able to attract. In France the rural banks depend mainly upon capital advanced by the state. In all countries the credit societies are able to obtain capital from the larger banking institutions or from the investing public.

"Having obtained the capital, the group of persons must be able to lend it to one another at a rate of interest only slightly in excess of the

rate which they pay collectively. This requires two conditions: (1) that the expenses of management shall be small in proportion to the business done; and (2) that the risk of loss shall be reduced to a minimum."

Where the money obtained as indicated above is loaned upon mortgage the mortgage is itself abundant security as between the borrower and the co-operative society, but in the case of the other and larger class of loans, those made upon personal security for short terms as many as may be necessary of the following safeguards are in every case provided:

"(1) That loans are only made to members of the group and that only persons known to be trustworthy are admitted;

"(2) That membership is confined to persons residing within a small district and that, therefore, the members are personally known to one another;

"(3) That the members being mutually responsible, it will be to the interest of all members to keep an eye upon a borrower and to see that he makes proper use of the money lent to him;

"(4) That, in like manner, it is to the interest of all members to help a member when he is in difficulties;

"(5) That the borrower is required to find sureties or give other collateral security for the repayment of the loan;

"(6) That the borrower binds himself to apply his loan to a specific *purpose which will bring in a monetary return* sufficient to enable him to repay the sum borrowed, to pay the interest charged, and to leave a profit for himself."

CO-OPERATIVE AGRICULTURAL CREDIT ORIGINATED IN GERMANY.

While co-operative schemes of rural finance are to be found in successful operation in a variety of forms and to the number of many thousands of societies in Germany, Austria, Italy, France, Belgium, Great Britain, Ireland and some other European countries, it is to Germany that all nations have turned first for information as to the workings of co-operative agricultural credit societies, for it was in that country that the first societies of each of the leading types were formed, and it is in that country that the whole movement has developed most rapidly and along the most progressive lines. Having this fact in view, Honourable Walter Scott, Premier of Saskatchewan, while in Europe last autumn (1912) instituted some inquiries into this subject that is of such vital importance to the basic industry of this province. The following memorandum contains the substance of the information gleaned in the course of that inquiry, and outlines in sufficient detail the organisation, methods, growth and business of the different groups of agricultural banks in Germany, together with some mention of the steps now being taken to bring the farmers of this continent into closer touch with the results obtained in Germany:

MEMORANDUM *RE* CO-OPERATIVE AGRICULTURAL CREDIT SYSTEMS IN PRUSSIA.

The undersigned when at Berlin took occasion to make inquiries concerning the processes or systems under which in Germany and other continental nations the rates charged on moneys borrowed by farmers and landowners have become as low if not lower than the rates charged against the borrowings of merchants or manufacturers. Amongst other sources of information I obtained through the good offices of the British Ambassador in Berlin interviews at the Landwirtschaftsministerium with Herr Geheimer Regierungsrat (head of the Prussian department of agriculture), whose information upon the whole question is immediate and thorough and who was kind enough to give a most interesting summary of the several systems in operation in Prussia, besides placing me in touch with certain printed literature. From the interviews together with the printed matter I have gleaned the subjoined information.

It was interesting to me to learn in Berlin that the governments of both the United States and Great Britain are conducting investigations into the same question. The latter government has had its inquiry under way for more than two years past, and I was informed that Mr. J. R. Cahill, acting for the board of agriculture in London, visited Berlin in 1910 in pursuit of the British inquiry. By communicating with Mr. Cahill I have learned that the British report is almost ready (December, 1912) and that its publication may be expected very soon. As regards the United States investigation the name was given me of Mr. David Lubin, who is the American delegate to the International Institute of Agriculture at Rome, with whom also I communicated, in addition to paying a visit to Washington, where from Honourable James Wilson, head of the department of agriculture, and also from the heads of the department of state, I obtained further information as to the purpose and scope of the United States inquiry. There are indeed, two more or less independent inquiries under way by United States authority upon the same subject. On October 11, 1912, President Taft drew pointed attention to the question by a letter which he issued to all the state governors. The president's letter was based on a preliminary report made to him by the United States Ambassador at Paris, Mr. Myron T. Herrick, in conjunction with whom during several months of the present year some six or eight prominent and wealthy citizens from different parts of the United States had been in Paris pursuing an inquiry the initiation of which I gather was due to efforts of Mr. Herrick through, or with the aid of, the American Bankers' Association. The members of his committee were working in Paris at their own expense. The other investigation, which Mr. Lubin is directing, and which has been sanctioned and approved by unanimous vote of the senate at Washington, is under way as the result of action decided upon at a conference held at Nashville, Tenn. April 1–6, 1912, of the Southern Commercial Congress, which is an organisation formed to promote the economic development of the sixteen southern states of the Union. At the conference, however, which was held primarily to discuss rural finance, and to which Mr. David Lubin had come from Rome on special invitation, there were present delegates from twenty-seven states as well as officials of the Washington Government. On April 26, 1913, there will leave New York a commission composed of two delegates from every state who are

to carry on investigations during three months in Italy, Austria-Hungary, Germany, Russia, Denmark, Switzerland, Sweden, Belgium, Holland, France, Ireland and the Balkan States. In all these countries the principle of co-operative rural finance is being operated in some form.

RAIFFEISEN CO-OPERATIVE AGRICULTURAL BANKS.

Germany is regarded as the birthplace of co-operative agricultural credit. The founding of the German system of agricultural co-operative banks is attributed to Friedrich Wilhelm Raiffeisen, a burgomaster of Weierbusch, who was led by the distress of the years 1846 and 1847 to seek a remedy in a system of co-operation for the slight amount of credit obtainable by the small landed proprietors. At Weierbusch, the first town of which he was appointed burgomaster, and at Heidersdorf, to which he was appointed later on, he founded the first agricultural co-operative loan banks, which were called after him and whose establishment was followed by that of many others.

Raiffeisen saw that while the individual farmer might be too small a factor to command extended credit facilities at good terms, a combination of such farmers would represent a strength with which money lenders would be glad to make terms. For the guidance of those entering into the co-operative associations he laid down three maxims: First, that the members of the association should hold themselves liable to an unlimited extent for the transactions of the society; secondly, that the association should operate only in a limited field, so that the members would be in effect neighbours, and thirdly, that the management of the business of the society should be done at a minimum cost, most of the members giving their services gratuitously.

Raiffeisen feared speculative control of the banks, and in order to avoid this and to extend the benefits of the system as widely as possible, he declined to allow the banks to be established with a foundation capital secured by selling shares of capital stock. To provide a working capital for the banks he offered four sources of income; namely, deposits on current account, savings deposits, loans from other banks or from private individuals, and the reserve fund made up of earnings of past years. Since the system was first established a law has been passed requiring all co-operative banks to have a foundation capital and the Raiffeisen banks have complied with this law by selling shares of stock, but limiting their value to a nominal amount and restricting the right of individuals to hold large quantities of stock.

A further concentration of strength was secured through the establishment of co-operative central banks, one in each province of Prussia. These modelled on the lines of the local banks and the latter, speaking generally, constitute the membership of the central banks. The local banks subscribe to stock in the central banks to form their capital, and their surplus funds are deposited in the central institution. The latter also secures some money from loans outside banks, and some from loans advanced by the central banks (one in Berlin and one in Darmstadt) which form what might be called the capstones of the system and are to central provincial banks what the latter are to local institutions. The chief function of the central banks is to equalise the credit needs of the institutions immediately subordinate to them. As a general proposition, the

local banks have money enough to finance the farmers with all the loans that they require, but the distribution of this financial strength is not always uniform, one bank at times finding itself with a surplus, while another may be in need of money to meet calls made upon it. The surplus of one bank is deposited with the provincial bank and is in turn loaned to a bank or banks requiring additional funds. Surpluses not needed in this way are invested either with one of the two general central banks, or in securities.

The banks finance the farmers through two sorts of loans, one on current account and the other for fixed periods. The loans on current account form about one-third of the total, and there is said to be a strong tendency at present to extend this feature, inasmuch as loans on current account form the most convenient kind for the borrowing members and are similar to the loans of city banks to mercantile houses. Security is given for the loans in the form of mortgages by the deposit of stock or other securities and sometimes by mere promises. The Raiffeisen banks were not organised for profit, and therefore none of the profits are distributed in the form of dividends; but while some of the money is expended in the furtherance of public utility projects, the bulk of the profit is carried over into reserve funds.

It is a remarkable fact that of the working capital used by the banks to finance the farmers and members, 88 per cent. is furnished by the farmers themselves or by the local depositing public, while the banks do their business with a capital which amounts only to 3.8 per cent. of their total funds. Savings deposits form the great bulk of their working capital. Their expenses are small, for the reason that generally only one person is a salaried employee, namely, the secretary, who does the actual executive work. The basis of management for the banks is the general meeting of members, at which a council of supervision and a committee of management are chosen. In 1909 the average cost of management was only about one hundred and fifty dollars. The business done, however, is large, as may be gathered from the fact that the Raiffeisen banks numbered 15,158 in 1910 with 1,163,186 members and a total turnover of $1,061,568,167, while the central banks comprised 38 institutions with 15,436 members and a total turnover of $1,557,293,580.

THE LAND MORTGAGE ASSOCIATIONS—"LANDSCHAFTEN."

By "Landschaften" is understood the public credit institutions resting on private, or corporate, mortgaging of landed property. The historical Prussian "Landschaften" from which the newer and in some degrees differently organised credit institutions have borrowed the name, are much lauded creations of Frederick the Great. The plan of these banks was accepted by that shrewd ruler, but would hardly have been realised but for the authority of an absolute government. Only a few decades later a crisis broke over Prussia which severely tested newly created credit institutions. They may be said to have acquitted themselves splendidly. Indeed, in the most critical times, agricultural credit was more solicited than that of a state; for the latter came to the East Prussian Landschaften in 1808 and 1809 to raise a part of the military contribution by the issue of mortgages on its forests and domains. The results of the Napoleonic wars, together with the agricultural depressions of the twenties, rendered

state aid necessary; the Landschaften finally fulfilled all of their obligations and contributed very greatly to the relief of necessities that the estates of the eastern provinces, which were most concerned, experienced at that time. But the Landschaften helped also directly in the national uprising of 1813; chiefly the East Prussian Landschaften in whose assembly hall (which is still standing) the East Prussian provinces with General Vomn York, decided upon the organisation of the voluntary popular rising of the memorable days of February, 1813.

The fundamental idea of the Landschaften consisted in the substitution of the mortgage system (Pfandbrief system) for the individual mortgage in which creditor and debtor deal directly with each other. The Landschaften is the intermediary between the estate (Grundbesitz) which needs credit and the capital which is seeking investment. Its aim is to afford the advantages which the mortgage bond (Pfandbrief) payable to bearer, has over the individual mortgage, namely, the possibility of releasing on the former at any time, and the added security of the institution and those joined together under it. In order to do this it evokes a supply of capital which enables it to supply the need of the estate for credit, under cheaper and more moderate conditions than would be otherwise possible.

This ingenious organisation of land credit on banking principles, first created in the Landschaften, has been initiated in and out of Germany. A distinction must be made, however, between the mortgage institutions of the most widely differing sorts. From the Landschaften in the above senses are to be distinguished not only the mortgage banks and stock companies, which carry on mortgage business for their own profit, but also the state or communal-land-credit institutions erected in the interest of the estate—agricultural banks (Landesbanken), provincial auxiliary banks (Provinzial Hilfskasson), agricultural credit banks (Landeskreditkassen), etc. These institutions which take the place of the Landschaften in those sections where the latter are wanting or but feebly developed differ markedly from the Landschaften in that they do not rest on the independent management of the organised estates, but are operated either by the state, province or the communal union on its own account. In this respect they are similar to mortgage banks. The security which is inherent in the nature of the Landschaften constitution, namely the treatment of agricultural credit as the most important factor, is thus largely lacking in the other constitutions. The tendency has therefore grown to use the latter institutions as a means for earning an income for the special purposes of the union which has created them, in order to avoid assessments which would otherwise be necessary. A fall in the rate of interest is not always followed, as with the Landschaften, by a fall in the mortgage rates charged by the institution on mortgage and bonds. The Landschaften are public corporations under state supervision, which is exercised in Prussia either by a commissioner especially appointed by the King, or by the minister of agriculture domains and forests.

The board of directors of the above mentioned Landschaften have the character of public officials. In this capacity they not only introduce and supervise the coercive proceedings against dilatory debtors according to the statutes and demand legal compulsory sale, but they also have been given public duties of other kinds, such as the making out of certificates of clear title and the determination of valuations for loans. The officials

of the Landschaften are indirectly state officials. They are sworn in, are subject to the disciplinary code and enjoy the privileges of state officials with regard to communal taxes. The syndics (syndici) qualified for the office of judge have notarial powers within their business district. The higher officials are chosen by the credit unions, and the appointments are ratified by the King of Prussia (the German Emperor) or the royal minister, except in the case of the Landschaft of Posen where the members of the board of directors are nominated by the state. The syndics and the subordinate officials alone receive full salaries. The salaries of the members of the board of directors who belong to the land-owning class are nominal and based on the compensation for loss of time and out of pocket expenses.

Within the limits of state supervision the Landschaften are self-governing and independent in their methods of business. The organisation of the individual institutions is similar only in its general characteristics. The executive authority is composed of a general Landschaft board of directors; associated with this is a board of representatives (subcommittee) which, with the exception of Brandenburg, forms at the same time the board of appeal from the decision of the general Landschaft board of directors. The highest court of appeal and the chief representative body is the general "Landtag" formed of representatives of the land owners presided over by royal commissioners.

Of the numerous privileges granted to the old "Landschaften" at the time of their creation, the most important is the right to levy executions on mortgaged real estate without legal process. The statutes of newer Landschaften do not include this right, which would require a special legislative Act. They have been able to protect themselves in part through the statutory provision that the debtor on taking the loan must, by statement before a notary, consent to immediate foreclosure in accordance with certain sections of the civil process ordinance.

It follows from the defined purpose and the corporate organisations of the "Landschaft" that each member has a right to be granted the use of credit in the ways provided by statute. The "Landschaft" is not authorised like the mortgage banks, savings banks, and other institutions simply to decline to make loans that are asked for. The purpose for which the loan is desired is not generally inquired into by the "Landschaft." However, in the case of the "Landschaft" of the Margravate, a request for a loan to four-sixths of the estimated value must be based on an existing material need, for example, the redemption of another mortgage improvement. Credit is created by means of the issue of mortgage bonds (Pfandbriefs) bearing interest and payable to bearer. The earlier system of so-called old mortgage, which were partial mortgage instruments on a definite piece of property with the additional responsibility of the "Landschaft" corporation has been abandoned.

The mortgage bonds are obligations of the Landschaft which are to be considered as founded on a mortgage claim of the same amount. At least this is the case in the older Landschaften. The legal connection between the mortgage bonds and the hypothecated security which supports them is evidenced by the fact that the mortgage bond is drawn up by a special commissioner of control, who must be convinced by looking through the mortgage documents in question of the existence of an equivalent amount of mortgageable property, and that the

mortgage document is provided at the same time with a stamp. The effect of the latter is that the keeper of the land register may record the surrender, or the redemption, of the mortgage security only on proof being given him by a certificate that a similar amount of mortgage deeds is withdrawn from circulation. In the case of the individual Landschaft the stamp is cancelled by the commission of control itself, under the same conditions. In the case of several other Landschaften it is further prescribed by statute that the hypothecated securities shall be liable exclusively for the mortgage deeds. Most of the newer Landschaften have not adopted such a provision, the legal effectiveness of which is not free from doubt. The newer Landschaften have not adopted the commission of control and the seal for the maintenance of equality of mortgages between mortgages and mortgage bonds, but have placed the whole responsibility with the board of directors—in other words, the advisory management.

Thus the legal relation between the mortgage deed and the hypothecated security in the individual institution has been until now a more or less loose one. In reality this matters but little. The organisation of the Landschaften and the nature of their management are a guarantee that no more mortgage deeds are issued than securities available. The question whether the holders of the mortgage have a lien on the mortgage is of little significance to the Landschaften because they do not enter into business of other kinds, and the mortgage holders do not thus compete with other kind of creditors.

LIMITS TO WHICH LOANS ARE MADE BY THE PRUSSIAN "LANDSCHAFTEN."

This limit is determined by establishing a definite valuation of the property; loans may be made to a certain proportion of this valuation, which is variously determined by the individual institutions. The "Landschaften" loaned originally to half of the estimated value. At present they loan generally to two-thirds of the value. The West Prussian "Landschaft" loans to six-tenths; the Posen "Landschaft" which formerly loaned only to one-half on properties of less than 30,000 marks valuation, has recently introduced the general policy of loaning to two-thirds of the value.

The detailed provisions drawn up by the old "Landschaften" for estimating the value of real estate are numerous. In general three groups were distinguished in which the basis for the mortgageable valuation was:

(1) The land tax (assessment);

(2) A simple estimate of the value made on the basis of the land tax;

(3) A formal estimate of the value.

In the first case loans were made to certain multiple of the yield of the land tax, usually to fifteen times that tax, without further inquiry into value. Under the second method a simple estimate of the value was made, which was based on the land tax. Under the third method an especial estimate of the value was made. The second method is applied advantageously in making loans on large properties. The first and second, or the first and the third alternate with each other, so that he who desires only a small loan can select the cheap and convenient method of making

the loan according to the land tax. The formal estimate of the value is partly an estimate of the value of the land, partly an estimate of the product; even in the case in which estimates of the land values are introduced, the value is measured so that it does not represent the purchase price, but the value of the product. Forest lands are mortgaged on the basis of the value which the land would have for other purposes. The mortgaging of the forests as such, which presupposes a permanent felling of the trees and the forest culture in general, occurs in Silesia and was practised earlier in Brandenburg.

The estimate is made by the local deputies who (as members of the "Landschaft") are responsible for its correctness.

The "Landschaften" grant amortisation loans which can be repaid by the debtor at any time with the statutory period of notice. These loans can only be recalled by the Landschaft on definite grounds (waste of property, destruction and the like). Thus the comparative safety that the borrower enjoys by obtaining a loan from the Landschaften, viz. the unlikelihood of his being compelled to repay the loan at short notice) constitutes one of the chief advantages of the Landschaft for the borrower as compared to a private loan instution.

The old Landschaften pay the value of the loan in mortgage bonds, which are converted into money for the debtor by the loan banks; the Hanoverian institute pays in cash. If the rate of the mortgage bonds stands below the face value the old Landschaften furnish the additional loans on demand from their ready capital to make up the difference in the rate. Interest is figured on this advance for a number of years in addition to the quotas payable to the amortisation fund on the principal.

The "Landschaften" according to the nature of their organisation furnish the credit as cheaply as conditions of the money market permit. Only the newer institutions collect assessments to cover extraordinary administrative costs. The older ones meet such costs from the interest on the corporate property, formerly from a stamp tax (Quittungsgroschen). The funds belonging to the "Landschaft" were created in former times mainly by additional payments of the debtor.

AMORTISATION—DISPOSITION OF THE SINKING FUND.

The old Prussian "Landschaft" regulations laid no obligation on the debtor to make amortisation payments. At present this requirement has been generally introduced, but the payments vary widely in amount and manner. The newer "Landschaften" has a general one-half to three-fourths per cent. amortisation. In the Pomeranian "Landschaft" as soon as the debtor has paid off 5 per cent. of his debt he can demand to be released from further amortisation payments, but must definitely give up the right to make any later dispositions of the amortisation fund. The West Prussian "Landschaft" collects amortisation payments of one-half per cent. for ten years on that part of the debt which is based on the first half of the estimated value. For that part of the debt which exceeds the first half of the estimated value (up to six-tenths of the estimate) a permanent amortisation payment of one-half per cent. is required. The East Prussian Landschaft has made the amortisation payments more stringent since 1899, in that one-half per cent. of the whole loan must be

paid off annually for those loans which exceed the first half of the estimated value. A voluntary increase of the amortisation payment is permitted generally.

Corresponding to the nature of the amortisation credit is the right of the debtor to demand release from that part of his debt which has been redeemed. This is generally limited by statute, so that at least 10 per cent. of the debt must first be redeemed. Furthermore with most Landschaften the debtor is granted the right after the redemption of 10 per cent. of his debt, to demand new credit to this amount—that is to demand an amount of credit corresponding to his redemption and deposit. In this case a revision of the estimated value is made.

LOANS ON PEASANT PROPERTIES.

While the newer Landschaften were founded for peasant properties, the older Landschaften were intended originally for the property of the nobler classes alone, and have only later voluntarily made their credit accessible to the peasant class, or more exactly, to the properties not belonging to the nobler classes. In East Prussia peasant property is accepted by the "Landschaft" itself. The minimum property on which loans can be made is generally fixed at 75 marks to 150 marks land tax, or a corresponding capital value, and thus includes the large peasant holdings and the medium holdings and a part of the independent smaller holdings. The Silesian "Landschaft" extends its loans considerably further under the limits of an independent development of the land. In 1895 it reduced the minimum land tax necessary for loans from 30 to 15 marks.

RESULTS SECURED BY THE LANDSCHAFTEN.

The services which the "Landschaft" as the intermediary between capital and the estate which needs credit performs for the former are ordinarily less considered; and yet it is evident that the preparation of over $2,000,000,000 of investment securities which have stood at the test of the worst crisis through which the country has passed is significant for solid capital.

The great importance of the "Landschaften" however, lies not in their achievement for capital, but in the improvement of land credit. The interest of the estate requires unrecallable credit, which is given as cheaply as possible. Besides the "Landschaft's" unrecallable credit is also given by mortgage banks and communal credit institutions (not savings banks) but those institutions are generally not able to compete with the "Landschaften" in cheapness of credit. Hence where the "Landschaften" have developed, the business of mortgage banks is limited chiefly to municipal loans. The great importance of the impossibility of recalling the loan consists partly in the fact that the debtor (who on his part can cancel the loan at any time) has an advantage of the fall of the rate of the interest rate, but not the disadvantage of a rise, such as happens especially in times of tightened money conditions.

It lies in the nature of a corporation which is compelled to maintain a definite standard that the "Landschaften" are deprived of the mobility which mercantile mortgage banks have. Yet charges of oppression, or

tardiness and expensiveness in loan proceedings are but seldom heard. Meanwhile perhaps all institutions have improved in this respect in the last few decades, to which end the introduction of simplified principles has contributed particularly. The keen interest that has been manifested recently with regard to "Landschaften" give assurance that they will find in the achievements of the past a spur for further efforts in the future.

(Signed) WALTER SCOTT.

HOW TO ADAPT EUROPEAN CREDIT SOCIETIES TO SASKATCHEWAN CONDITIONS.

It is by no means certain that an attempt to form and operate agricultural credit societies modelled along the lines either of the "Raiffeisen" or the "Landschaften" would meet with success in Saskatchewan or any other part of this continent. But on the other hand there would appear to be no good reason why an earnest attempt should not be made to apply the principles underlying the success of those institutions to the problems of rural finance in this province. Three courses are open to the Government in dealing with this matter. Either they may do nothing, leaving the field to private or unaided co-operative effort, or they may proceed blindly without further examination to encourage the organisation of societies of one or both of these kinds on some existing model, or they may be seriously impressed with the importance of the question, their responsibility in connection with it and with the probability that its permanent settlement lies along some of the lines followed in Europe, and conclude that the whole matter should receive further detailed study at first hand with the avowed object of devising the best possible way of applying the principles underlying success to conditions as they exist in Saskatchewan. The Government believes that the farmers desire them to proceed along the last named rather than along either of the two first named lines.

It may be contended that there has been enough investigation, and that the time for action has now arrived. In so far as this province is concerned this is not the case. Nothing would be gained and very much might be lost by proceeding without sufficient knowledge as to the extent to which these European systems, or any of them, can be transferred to Saskatchewan with a reasonable prospect of success, and the adaptation of them that would be needed where European conditions do not obtain. Governor Herrick, United States Ambassador to France and head of the American committee of diplomats that has been investigating this question under instructions from the President of the United States, says on this point:

"I think it would be most unfortunate if after the public has been awakened to an interest in this matter, ill-considered organisations should succeed in getting into the field and bringing about a repetition of the farm-mortgage financial disasters of some twenty-five years ago. * * * Therefore I am most willing that authoritative warning be made on this point."

THE PROPOSED PLAN FOR FURTHER INVESTIGATION.

In April, 1912, the Southern Commercial Congress (a body formed to promote the economic development of the 16 southern states, much as our

grain growers' associations are formed to promote the economic development of our three prairie provinces), invited Mr. David Lubin, the American delegate to the International Institute of Agriculture, which is the official international organisation through whose publications attention has been chiefly directed to the achievements of agricultural credit systems, to address their annual conference on the subject of rural finance. Mr. Lubin did so, and as a result of what he was able to tell the delegates of the successes of the European systems and of the possibility of their being adapted to meet conditions on this continent, the following resolution was passed unanimously by the congress:

"Whereas, the solution of the problems of rural finance lies at the basis of every attempt to improve rural conditions; and

"Whereas, the latent wealth of the farmer can only become active wealth through the possibilities of credit freely obtainable on the basis of his character and his assets; and

"Whereas, there are in operation in Europe the following systems and their variants, namely, Raiffeisen, Schulze-Delitzsche and Landschaften; and

"Whereas, these systems have, during their existence, greatly stimulated rural finance in these European countries; and

"Whereas, we are convinced that the systems should be further studied by the United States: Therefore be it

"Resolved, That we recommend to the directors of the Southern Commercial Congress that a select committee on rural finance investigation, consisting of one or more, but preferably two, members from each state of the Union, go to Europe in the summer of 1912, under the general management of the Southern Commercial Congress, and under the administrative management of an executive committee to be elected by the members of the select committee and under bylaws to be adopted by the committee as a whole; be it further

"Resolved, That the daily findings of the select committee shall be recorded in such form that each member may return to his state possessed of one copy of said findings for publication and use in his state and that a second copy be given to the nation through publication to be recommended to the Congress of the United States for general distribution; and be it further

"Resolved, That we preferably recommend two members from each state for the reason that when the committee returns there will be in each state two men well informed on the whole subject and locally interested in solving the problems of rural finance as presented by the state of their residence, and for the additional reason that a large committee bringing many minds to bear upon the phases of one subject can be expected to produce greater national good than would be possible from investigation by a small committee not individually representative of the states of the nation and in a measure unacquainted with the varying needs of the various sections."

It will readily be appreciated that the following advantages at least will accrue to the work of a large and representative select committee such as is proposed as compared with that of committee of commissions representing only individual states or provinces:

1. A greater aggregate of intelligence and experience will be brought to bear upon a greater mass of information in the case of the large select committee representing all parts of this continent than could possibly be the case if only committees representing localities were sent;

2. Such a large and representative committee will have placed at its disposal, or at the disposal of any of its various subcommittees, much more information and many more important witnesses than a smaller or less important body could hope to secure;

3. The findings of such a committee will attract much more attention, carry more weight and authority, and be more likely to be harmonious than would be the findings of a number of smaller committees. Thus there is better prospect of prompt concerted and similar action being taken after its return;

4. The expense of the inquiry to each province or state will be much less than if individual inquiries were held by each.

For these reasons the Government of Saskatchewan feel that it would be wiser on their part to provide for and appoint representatives from Saskatchewan upon the large select committee which will visit all of the principal European countries in which agricultural co-operation, both in finance and in other matters, has been highly developed, during May, June and July, 1913, rather than to provide for and conduct during practically the same months an inquiry which must inevitably follow identically the same lines but which could not hope to be so complete or authoratitive.

Concerning the work of this select committee which will be representative of so large a part of this continent, Mr. Lubin makes the following comments:

"Thus it will be seen that the mission of the select committee is not merely to go to Europe for the purpose of reading up printed documents. It is for the purpose of observing the working of the European co-operative rural credit systems; of speaking to the farmers who are working under them; of ascertaining their experience. It is for the purpose of gaining information on the laws under which these systems operate; of interviewing the government officials who supervise their working; of visiting the local credit banks and the central banks which handle the financial end of the co-operative business. The select committee is to interview the presidents and directors of the great agricultural associations and the leading economists. All the information thus acquired is to be assimilated, and at stated intervals during the tour the various points are to be brought up for discussion at meetings of subcommittees and of the committee as a whole. The essential points thus brought out will be noted in the minutes of the proceedings, and finally a report will be drawn up containing the conclusions and recommendations of the committee."

With the return of this select committee and of the Saskatchewan representatives who will be on it, and the reception by the Government of the report of those representatives, it should be possible to determine with tolerable certainty the extent to which and the means by which the principles underlying the success of co-operative agricultural credit in Europe may be applied to the solution of the same problem as it exists in Saskatchewan today.

SUMMARY.

1. Cheaper money for agricultural development is a very live and important subject in Saskatchewan at the present time.

2. This is because agricultural credit in this province at the present time is dear, indiscriminate, unregulated, and to too great an extent static.

3. What the farmers need is:

(a) Cheaper and more abundant credit of the kind that a merchant or manufacturer obtains through his commercial open account at his bank (dynamic money).

(b) Cheaper and more discriminate credit upon amortisable mortgages extending over longer terms (static money).

4. Such cheaper, abundant and discriminating credit can be obtained best by the farmers themselves under government regulation through co-operative institutions of two general types created and conducted for the sole purpose of providing credit of two kinds—dynamic and static—practically at cost, and for agricultural uses only.

5. Unsatisfactory and inadequate agricultural credit is not a condition peculiar to Saskatchewan among the provinces but is common to a greater or less extent of all the provinces of the Dominion and states of the Union.

6. Driven, 140 years ago in the case of one class of societies, and 50 years ago in the case of the other, by the pressure of far greater abuses and economic necessity than exists on this continent, German students devised means for providing the farmers of that nation with the cheap money essential to not only the development but the very life of their agriculture.

7. Societies of both types (Raiffeisen and Landschaften) have proved perfectly suited to their purpose, have multiplied in number until there is now one such society for every 1,600 persons of the population and the outstanding loans of all such societies of the various sorts are in excess of three and one-half billions of dollars.

8. The rates of interest upon these loans whether temporary or mortgage never exceed 4½ per cent.

9. The principles underlying societies of both types have been applied through the medium of institutions more or less resembling the originals, to the solution of the problems of agricultural credit in all of the principal nations of Europe.

10. Only in the Province of Quebec and the State of Massachusetts has the principle underlying the Raiffeisen farm banks (one of the two principal types in Germany) been applied on this continent. In both cases it is reported that the plan has met with success.

11. Only in the cases of the co-operative mortgage banks created by the Grange in the early seventies, and of the mortgage banks established by the American bankers in the eighties has anything approaching the principles underlying the German Landschaften and mortgage banks (the other of the two principal types in Germany) been applied on this continent. These attempts are reported to have failed through deceptive and fraudulent methods and on account of being speculative.

12. There is every reason to believe that if full investigation of the conditions under which European systems have worked successfully, and a careful comparison of those with Saskatchewan conditions is made, and the task is approached in the right spirit, the principles underlying the successful operation of those systems can be applied to the solution of the same problem in Saskatchewan, and a satisfactory form of organisation and method of procedure devised.

13. A select committee composed of two members from practically every state in the Union will investigate this whole question right on the ground, during and immediately following the meeting of the International Institute of Agriculture at Rome in May, 1913. This committee will work in Europe during the months of May, June and July, 1913.

14. The appointing of representatives from Saskatchewan offers the cheapest, best and most expeditious means for the proper and necessary detailed investigation of European systems of co-operative agricultural credit in the interests of this province.